FNSEC

May 13, 1970

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 4/4/91
PORTIONS DENIED AS INDICATED

SUBJECT: Possible Libyan Oil Crisis - INFORMATION MEMORANDUM

After months of inconclusive negotiations between the US oil companies and the Libyan Government, the Libyan oil situation appears to be reaching a serious stage. In the current negotiations the Libyan Government has stunned US oil companies by demanding a radical escalation in the posted price of Libyan crude. This has led our Embassy to speculate that the Libyan Government objective may be to create conditions with which the companies will be unable to comply in order to impose some form of national control over the oil industry. The LARG has reportedly broken off negotiations with Occidental Oil Company,

[redacted] - B4

Although the LARG agreed to honor international obligations, including oil company concessions, when it seized power in September, it has recently threatened to take unspecified unilateral action in order to enforce its demand for higher posted prices.

The presence of a Soviet oil delegation in Libya and recent nationalization of US companies in Somalia, Sudan and Uganda are other disquieting developments in terms of the influence they may have on the thinking of the Libyan regime.

SECRET
Downgraded at 12-year intervals;
not automatically declassified.

B1

Our traditional policy has been to avoid involvement in Libyan-oil company dealings except in special situations where we could usefully carry information between the parties in the interest of facilitating a settlement of an outstanding problem. We have asked the Embassy whether this tactic would again be useful given the total context of our relations with the LARG. Several weeks ago, for example, we suggested to several companies, in response to their request for our estimate of the situation, that they should weigh carefully the possible consequences of refusing to consider any increase whatsoever in posted prices.